

## ***FINDING 2012-01 – INTERNAL CONTROLS OVER FEDERAL GRANT SCHEDULE***

The Schedule of Expenditures of Federal Awards (SEFA) provided for audit was inaccurate. The following errors found in the SEFA are described below:

1. The schedule did not include some or all grants from \_\_\_\_ federal programs which resulted in the SEFA presented for audit to be understated by \_\_\_\_\_ in Federal Expenditures. The grants omitted by program included the following (listed by Catalog of Federal Domestic Assistance (CFDA) number): Adjustments were recorded and approved by County's management for presentation in this report.
2. The schedule included State grants and matching funds, reported an amount more than once, and reported local funds or other non-federal activity which resulted in the SEFA presented for audit to be overstated by \_\_\_\_\_ in Federal Expenditures. Adjustments were recorded and approved by County's management for presentation in this report.
3. \_\_\_\_\_ programs included on the grant schedule were combined. These combined programs either included ARRA grants or had individual CFDA (Catalog of Federal Domestic Assistance) numbers. These grants are required to be separately reported in the SEFA.
4. \_\_\_\_\_ of the programs on the schedule either had the incorrect CFDA numbers or the CFDA number was omitted. \_\_\_\_\_ programs did not include the Federal grantor agency and \_\_\_\_\_ programs were not identified using the correct program title.
5. Each County department is responsible for overseeing the grants it received. Department staff responsible for the administration and reporting of federal awards, did not provide accurate information for the preparation of the SEFA to the County Auditor's office.

The County Auditor's office is responsible for preparing the SEFA, based upon the grant information obtained from the financial accounting records and other information provided by each department. A review of the Auditor's files determined that grant award letters, grant applications, grant budgets, financial reports and other grant documents are not provided by the various departments. These documents are necessary for the finance department to obtain required information for the SEFA, such as CFDA titles and numbers, and to assist in identifying federal grants.

The various County Departments are unaware or lack the understanding of the importance of sharing and providing the information for the SEFA. The lack of submission of grant documents and accurate information by the various departments to the Auditor's office weakens internal controls over grant reporting and hinders the ability of the Auditor's office to accurately prepare the SEFA.

Internal controls should be designed to prevent, detect or correct errors in a timely manner. Without adequate controls, the County cannot provide reasonable assurance that the SEFA is fairly presented. Controls have not been established by the County to ensure complete and accurate reporting of the SEFA.

The determination of which major programs will be audited and the audit costs are affected by the accuracy of the SEFA at the time of audit. Failure to develop internal controls over reporting could jeopardize future federal funding and report its financial information inaccurately.

Circular A-133, subpart .300 Auditee Responsibilities, states in part: "The auditee shall: (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. (b) Maintain internal control over Federal programs that provides reasonable assurance..."

Circular A-133, subpart .310 Financial Statements states in part:

"(b) Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements... At a minimum, the schedule shall:

1. List individual Federal programs by Federal agency....
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number..."

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Counties in Indiana, Chapter 1)

We recommended that the County establish policies and procedures to ensure that the federal funds are identified and reported accurately on the SEFA in accordance with Circular A-133 requirements. We also recommended that individuals responsible for administering federal assistance programs within the County receive training in proper grant administration.